

The development of skills in the Australian economy

The National Agreement for Skills and Workforce Development framework

- 3.1 As noted in Chapter 2, the National Agreement for Skills and Workforce Development (NASWD) defines the objectives, outcomes, outputs and performance measures, and the roles and responsibilities that guide Commonwealth, state and territory governments in the delivery of services across the skills and workforce development sector. The NASWD and its associated Partnership Agreements constitute an overarching framework for Commonwealth and state/territory government involvement in skills and workforce development.
- 3.1 The NASWD 'recognises the interest of all Governments in ensuring the skills of the Australian people are developed and utilised in the economy'. NASWD signatory governments agree that 'this includes the need for reform of the national training system to ensure it delivers the high quality, responsive, equitable and efficient training and training outcomes needed'.¹
- 3.2 A central objective of the NASWD is the delivery of a 'highly skilled workforce'.² Clause 10 of the NASWD states that Parties to the Agreement commit to reforms that aim to create:

1 Council of Australian Governments (COAG), *National Agreement for Skills and Workforce Development*, Clause 2, <http://www.federalfinancialrelations.gov.au/content/npa/skills/skills-reform/national_agreement.pdf> viewed 24 October 2014.

2 COAG, *National Agreement for Skills and Workforce Development*, Clause 18, <http://www.federalfinancialrelations.gov.au/content/npa/skills/skills-reform/national_agreement.pdf> viewed 24 October 2014.

a. A national training system, accessible to all working age Australians, that provides them with the opportunity to develop the skills and qualifications needed to participate effectively in the labour market.

f. An efficient national training system, where government efforts appropriately respond to areas of future jobs growth and support the skills needs of Australian industry.

g. A national training system that works with Australian businesses and industries to develop, harness and use the skills and abilities of the workforce.³

3.3 Clause 19 states that the NASWD will contribute to the following three outcomes:

- the skill levels of the working age population are increased to meet the changing needs of the economy (Outcome 1);
- all working age Australians have the opportunity to develop skills (Outcome 2); and
- training delivers the skills and capabilities needed for improved economic participation for working age Australians (Outcome 3).

3.4 Clause 20 provides that the progress of the outcomes will be demonstrated by:

- Outcome 1:
 - ⇒ a. Proportion of working age population (WAP) with higher level qualifications (Certificate III and above).
 - ⇒ b. Proportion of employers satisfied that training meets their needs.
- Outcome 2:
 - ⇒ a. Proportion of WAP with adequate foundation skills (literacy level 3 or above).
 - ⇒ b. Proportion of WAP with or working towards a non-school AQF qualification.
- Outcome 3:
 - ⇒ a. Proportion of VET graduates with improved employment status after training.
 - ⇒ b. Proportion of VET graduates with improved education/training status after training.⁴

3 COAG, *National Agreement for Skills and Workforce Development*, Clause 10, <http://www.federalfinancialrelations.gov.au/content/npa/skills/skills-reform/national_agreement.pdf> viewed 24 October 2014.

4 COAG, *National Agreement for Skills and Workforce Development*, Clause 20, <http://www.federalfinancialrelations.gov.au/content/npa/skills/skills-reform/national_agreement.pdf> viewed 24 October 2014.

3.5 Importantly, the NASWD also lists a variety of reform directions in clause 25. These are:

- improve training accessibility, affordability and depth of skills, including through the introduction of a national training entitlement and increased availability of income contingent loans (ICLs);
- improve training participation and qualification completions, including at higher levels and by those who may be experiencing disengagement or disadvantage;
- encourage responsiveness in training arrangements by facilitating the operation of a more open and competitive training market;
- enable public providers to operate effectively in an environment of greater competition, recognising their important function in servicing the training needs of industry, regions and local communities, and their role that spans high level training and workforce development for industries and improved skill and job outcomes for disadvantaged learners and communities;
- strengthen the capacity of public and private providers and businesses to deliver training and support people in training;
- strengthen, streamline and harmonise the Australian Apprenticeships system;
- assure the quality of training delivery and outcomes, with an emphasis on measures that give industry more confidence in the standards of training delivery and assessment;
- provide greater transparency through better information to ensure consumers (students and employers) can make informed choices, governments can exercise accountability and policy-makers and regulators can understand and respond to emerging issues;
- increase industry's engagement with the Vocational Education and Training (VET) sector to ensure training outcomes are high quality and relevant to the needs of employers to improve skills utilisation and workforce development; and
- facilitate more interconnected tertiary and training sectors that cross boundaries between school, adult, vocational and higher education, with better links between employment services and training provision in order to improve labour market outcomes.⁵

3.6 The NASWD sets out different roles for the Commonwealth, states and territories. Under clause 26 the Commonwealth's role is to provide funding, support, coordination and data as follows:

5 COAG, *National Agreement for Skills and Workforce Development*, Clause 25, <http://www.federalfinancialrelations.gov.au/content/npa/skills/skills-reform/national_agreement.pdf> viewed 24 October 2014.

The Commonwealth will:

- a. provide funding contributions to States and Territories to support their training systems;
- b. provide specific interventions and assistance to support:
 1. industry investment in training;
 2. Australian Apprenticeships;
 3. literacy and numeracy; and
 4. those seeking to enter the workforce.
- c. coordinate the development and publication of the Annual National Report as legislated under the *Skilling Australia's Workforce Act 2005*; and
- d. ensure data is provided as required.⁶

- 3.7 Under clause 27 the states' and territories' role is to determine resource allocation and expenditure as follows:

States and territories will:

- a. determine resource allocation within their State/Territory;
- b. oversee the expenditure of public funds for, and delivery of, training within states and territories; and
- c. ensure the effective operation of the training market.⁷

- 3.8 Clauses 28 and 29 provide for shared responsibilities as follows:

28. Develop and maintain the national training system including:
 - a. developing and maintaining a system of national regulation of RTOs [Registered Training Organisations] and of qualification standards;
 - b. ensuring high quality training delivery;
 - c. supporting and implementing the reform directions;
 - d. establishing priorities and developing strategic policy initiatives to deliver the objectives and outcomes of this Agreement, including through the Standing Council on Tertiary Education, Skills and Employment (SCOTESE) and supporting groups;
 - e. ensuring RTO compliance with data requirements as specified through regulation and contractual arrangements for public funds, with improved access to data by students and others, including

6 COAG, *National Agreement for Skills and Workforce Development*, Clause 26, <http://www.federalfinancialrelations.gov.au/content/npa/skills/skills-reform/national_agreement.pdf> viewed 24 October 2014.

7 COAG, *National Agreement for Skills and Workforce Development*, Clause 27, <http://www.federalfinancialrelations.gov.au/content/npa/skills/skills-reform/national_agreement.pdf> viewed 24 October 2014.

the release of data on a national website such as MySkills and on RTOs' own websites;

f. supporting industry to engage directly with RTOs; and

g. commitment by both levels of government to the sharing of an agreed set of data on the training system and the labour market.

29. Raise the status of VET and Australian Apprenticeships.⁸

2012 National Agreement for Skills and Workforce Development Performance Report

3.9 The National Agreement for Skills and Workforce Development Performance Report: *Skills in Australia 2012: Five years of performance* produced by the COAG Reform Council⁹ assesses and reports publicly on the performance of governments against the outcomes in the NASWD. Some key findings are:

- Just over 54% of working age people held higher level qualifications in 2011, up from 48.3% in 2006. One in four working age people now have a bachelor degree or above and Australia ranks ninth in the OECD on people with tertiary qualifications.
- In 2011, over 1.3 million people were studying for a qualification. This is equal to 10.9% of Australia's working age population and was an increase from 10.0% in 2006.
- Young people (20–24 years) are studying at the highest rates. The proportion of young people studying increased from 35.6% in 2006 to 39.1% in 2011. However, Australia was below the OECD average for 20–24 year olds studying for a qualification (44.2% in 2011). The gap between Australia and the OECD average also increased from 1.4 to 2.1 percentage points from 2006 to 2011.
- Nationally, one in eight working age people had the lowest level of literacy and one in five had the lowest level of numeracy in 2011–12.
- In 2011, around 30% of VET students who enrolled in a course completed it. Around 17% of those who enrolled completed a course with a higher level qualification than they began with. Both these figures increased by around 5 percentage points from 2007 to 2011. Those aged between 20 and 24 were the most likely to get a higher level qualification.

8 COAG, *National Agreement for Skills and Workforce Development*, Clauses 28 and 29, <http://www.federalfinancialrelations.gov.au/content/npa/skills/skills-reform/national_agreement.pdf> viewed 24 October 2014.

9 COAG established the COAG Reform Council as part of the arrangements for federal financial relations to assist COAG to drive its reform agenda. Independent of individual governments, the Council reports directly to COAG on reforms of national significance that require cooperative action by Australian governments.

- In 2012, 63.8% of VET graduates reported improved employment status after training – almost 5 percentage points lower than in 2008. The fall was significant in NSW, Victoria, Queensland and South Australia with no significant changes in other jurisdictions. Falls were greatest for 25–29 year olds (10.3 percentage points) and for 20–24 year olds (7.2 percentage points).
- From 2006 to 2011, the proportion of Indigenous people with higher level qualifications rose from 23.6% to 29.6%. For people living in the most disadvantaged areas, the proportion rose from 33.6% to 39.4%. For people living in very remote areas the proportion rose from 30.5% to 37.7%.
- From 2006 to 2011, the gap for higher level qualifications between the most and the least disadvantaged areas closed from 27.4 to 26.8 percentage points while the gap between remote areas and major cities closed from 20.4 to 18.8 percentage points. The gap between Indigenous and non-Indigenous people remained at 25.3 percentage points over this period.
- Based on the trend since 2002, Australia is not on track to meet the COAG target to halve the proportion of 20–64 year olds without higher level qualifications (Certificate III or above) from the 2009 baseline to 23.6% by 2020. In 2012, the proportion was 41.9%.
- Based on the substantial growth since 2009, Australia is on track to meet the COAG target to double the number of diploma and advanced diploma completions from the 2009 baseline to 108 230 by 2020. In 2011, there were 83 771 diploma and advanced diploma completions.¹⁰

National Partnership Agreement on Skills Reform

- 3.10 As noted in Chapter 2, two agreements sit under the NASWD: the National Partnership Agreement on Skills Reform and the National Partnership Agreement on Youth Attainment and Transitions. The National Partnership Agreement on Skills Reform is directly relevant to skills development and is dealt with here.
- 3.11 The objectives of the National Partnership Agreement on Skills Reform are to:
- ... contribute to reform of the Vocational Education and Training (VET) system to deliver a productive and highly skilled workforce which contributes to Australia’s economic future, and to enable all

10 COAG Reform Council, *Skills 2012: key findings: Five years of performance*, <<http://www.coagreformcouncil.gov.au/sites/default/files/files/Skills%20in%20Australia%202012%2C%20Key%20findings.pdf>> viewed 24 October 2014.

working age Australians to develop the skills and qualifications needed to participate effectively in the labour market.¹¹

- 3.12 The structural reforms and other actions carried out under the National Partnership Agreement on Skills Reform are directed to achieving the reform directions agreed under the NASWD.
- 3.13 Under the National Partnership Agreement on Skills Reform the Commonwealth agrees to be accountable for the following roles and responsibilities:
- a. monitoring and assessing the performance in the delivery of reforms under this Agreement to ensure that outputs are delivered and outcomes are achieved within the agreed timeframe;
 - b. providing a financial contribution to the States to support the implementation of this Agreement, as set out in Part 5 (Financial Arrangements) ... and contributing to the achievement of the outcomes of this agreement through Commonwealth Own Purpose programs;
 - c. reviewing operational requirements for ICLs to streamline administration requirements, and making necessary changes to legislation, guidelines and administrative processes; and
 - d. leading the development and implementation of key national initiatives outlined in this agreement, including the national *My Skills* website and the Unique Student Identifier (USI) in VET.¹²
- 3.14 The Commonwealth and the States share the following roles and responsibilities:
- a. developing and agreeing Implementation Plans in accordance with Clause 37 of this Agreement;
 - b. funding ICLs including costs of implementation, administration and sharing risk;
 - c. sharing data as part of the agreed government-to-government information model and the operation of labour markets;
 - d. participating in consultations as appropriate regarding the implementation of this Agreement; and
 - e. conducting evaluations and reviews of services and outputs delivered under this Agreement.¹³

11 COAG, *National Partnership Agreement on Skills Reform*, <http://www.federalfinancialrelations.gov.au/content/npa/skills/skills-reform/national_partnership.pdf> p. 1, viewed 24 October 2014.

12 COAG, *National Partnership Agreement on Skills Reform*, Clause 34, <http://www.federalfinancialrelations.gov.au/content/npa/skills/skills-reform/national_partnership.pdf> viewed 24 October 2014.

The prominence of TAFE in national skills development

3.15 In 2010, nationally, TAFE institutes accounted for 70.8 per cent of equivalent full-time Vocational Education and Training (VET) students, with other providers (including other public providers and private providers), accounting for 20.7 per cent, and public and dual-sector universities accounting for around eight per cent of equivalent full-time VET students.¹⁴ The Australian Government Department of Industry noted the dominant role of TAFEs:

... we do have very much a market structure where the biggest providers do dominate training. Of course, the TAFEs are a big part of that. Of the public system, of the 1.9 million students, the TAFEs account for about 1.3 million or 1.4 million of that.¹⁵

3.16 As the major providers of vocational education in Australia, TAFE institutes constitute a significant public resource for the development of skills in the Australian economy. The integral part that TAFE plays in the provision of skills development was outlined by TAFE Directors Australia (TDA):

By simply being in place, TAFE institutes ensure the availability of comprehensive training and education opportunities to meet the needs of industries, communities and individuals in hundreds of locations across Australia. Quite simply, TAFE has a scale and reach which is not now replicated by the private Registered Training Organisation sector, nor is it likely to be.¹⁶

3.17 The Australian Education Union, Northern Melbourne Institute of TAFE (NMIT) Sub Branch noted the importance of the contribution made to the community services workforce by TAFE:

Without good quality community services courses, we would not have skilled staff working with people with a disability, we would not have programs for the homeless, children at risk and we would not have compassion for those with mental health issues and those struggling with drug and alcohol issues. Workers in all

13 COAG, *National Partnership Agreement on Skills Reform*, Clause 36, <http://www.federalfinancialrelations.gov.au/content/npa/skills/skills-reform/national_partnership.pdf> viewed 24 October 2014.

14 National Centre for Vocational Education Research (NCVER), *Tertiary education and training in Australia 2010*, NCVER, p. 9, <<http://www.ncver.edu.au/wps/wcm/connect/03dc5705-2051-48a0-bf07-0fbcff210008/2010-Tertiary-education-training-2489.pdf?MOD=AJPERES&CACHEID=03dc5705-2051-48a0-bf07-0fbcff210008>> viewed 24 October 2014.

15 Mr Martin Graham, General Manager, VET Reform Taskforce, Australian Government Department of Industry, *Committee Hansard*, Canberra, 6 June, p. 3.

16 TAFE Directors Australia (TDA), *Submission 70*, p. 4.

areas of the sector would be without access to evidence based best practice and latest government initiatives.

NMIT Community Services graduates fulfil roles in the community services sector that make a difference to the lives of others just like the TAFE education makes a difference to their lives.¹⁷

- 3.18 The NASWD broadly recognises the important role of public VET providers in its stated reform directions (set out above), but does not specifically recognise TAFE as the major public provider.
- 3.19 The importance of TAFE as a provider of pathways to employment and tertiary education is considered further in Chapter 4.

Articulating the role and value of TAFE

3.20 An issue of central importance that emerged over the course of the inquiry was the need for a foundational articulation of the role and value of TAFE. This is closely related to TAFE's crucial role in the provision of skills development, its importance as a provider of pathways to employment and tertiary education, and, as is explored in Chapter 4, TAFE's highly significant community support role.

3.21 In its evidence the NSW Adult Literacy and Numeracy Council took the view that the present time is a critical policy moment for TAFE, in regards to its functions and funding. The Council stated that:

... there is a choice that has to be made about whether TAFE will drop its 'E' for education, or retains and builds on its strengths to integrate education and training to achieve human capital, social capital and identify capital for the economy, community and the individuals. There needs to be discrete funding to public providers such as TAFE organisations under the market design model being implemented by jurisdictions, so that full service provision, especially for students from equity groups can continue.¹⁸

3.22 It was suggested in some evidence to the inquiry that the role and value of TAFE is not as widely recognised as it should be. Ms Joann Pyne, Director, Barrier Reef Mount Isa and Tropical North Institute of TAFE stated that:

We need to really do a good job in this country of explaining what the role of the vocational education system is for. People very clearly understand what a university does. They understand what a school does but are very confused about what a TAFE does. So we need to start a national conversation about the value of TAFE

17 Australian Education Union, Northern Melbourne Institute of TAFE Sub Branch, *Submission 26*, p. 5.

18 NSW Literacy and Numeracy Council, *Submission 18*, p. 2.

and the value of a vocational qualification ... We have people from all around the world coming and having a look at what we are doing but we do not value it as a community.¹⁹

3.23 In a similar vein, Mr George Peever, Chief Executive Officer, TORGAS, stated that:

Universities have all these great advocates, and secondary and primary schools have great advocates. TAFE, however, is without that same level of advocacy. You just need to listen to the news. If a primary school with 20 kids is shutting down, everybody is marching up and down the streets. But if a TAFE college shuts down then no-one blinks an eye.²⁰

3.24 The 2012 TDA National Charter for TAFE shapes TDA's interaction with government and sets out four principles regarding public funding, the role of governance in a competitive training market, and the important place occupied by TAFE in the VET system. The principles of the TAFE National Charter are as follows:

- PRINCIPLE 1 Funding of public VET provides value-for-money and is sufficient for the comprehensive educational and training services necessary to achieve COAG goals.
- PRINCIPLE 2 Quality criteria are substantially enhanced as the basis of value-for-money in public funding for a competitive VET system.
- PRINCIPLE 3 Governance enables flexibility and responsiveness.
- PRINCIPLE 4 Recognition of the innovation and leadership roles of TAFE, including its pivotal position in rural and regional Australia.²¹

3.25 In its submission to the inquiry TDA submitted that the role and value of TAFE can be articulated as:

1. Providing quality assured, vocationally oriented training and education to meet the skills needs of business and industry, thereby contributing to **improved productivity and community welfare**;
2. Insulating the economy from **skills market failures**, by ensuring the availability of skills training across all industry sectors and throughout the relevant jurisdiction, and by developing training programs to meet emerging needs;

19 Ms Joann Pyne, Director, Barrier Reef, Mount Isa and Tropical North Institute of TAFE, *Committee Hansard*, Townsville, 7 May 2014, p. 4.

20 Mr George Peever, Chief Executive Officer, TORGAS, *Committee Hansard*, Townsville, 7 May 2014, p. 7.

21 TDA, *Submission 70*, p. 6.

3. Contributing to local, state and national **innovation and economic efficiency** through developing practical approaches to improving industrial and business processes and practices;
4. Ensuring **reasonable access** for all Australians to relatively comprehensive training and education opportunities, for the benefit of both economic development and personal development;
5. Providing strong, credible and seamless **pathways** from one level of training and education to another ;
6. Contributing to Australia's engagement with Asia and economic development through the region.²²

3.26 Ms Meredith Hammat, Secretary, Unions WA, argued for broader recognition of TAFE's unique position of meeting community service needs and providing pathways:

We think that a public TAFE system should also reflect the heavier community obligations that, as a public provider in the VET system, it has. There needs to be a recognition that for many, access to TAFE is what allows them to develop skills that will then turn their lives around. We also believe that the public TAFE services should reflect the central role that they have of maintaining social cohesion and of maximising opportunities for all students, regardless of their backgrounds and socio-economic status.²³

3.27 The NSW TAFE Commission Board proposed a Commonwealth statement articulating and recognising the role and importance of TAFE:

The Commonwealth can recognise the value of TAFE and ensure its future as the public provider by issuing a statement that would:

- articulate the role and value of TAFE;
- identify the essential contribution TAFE makes to the economy, community and in addressing disadvantage; [and],
- recognise the importance and cost of TAFE's 'full service' provision particularly in regions, thin markets and for disadvantaged students.²⁴

22 TDA, *Submission 70*, p. 14 (emphasis in original).

23 Ms Meredith Hammat, Secretary, Unions WA, *Committee Hansard*, Perth, 13 June 2014, pp. 9-10.

24 NSW TAFE Commission Board, *Submission 65*, p. 5.

Industry Skills Councils

3.28 The Industry Skills Councils (ISCs) also play an important role in skills development through developing national Training Packages and undertaking various workforce development support, advisory, engagement and coordination functions.²⁵

3.29 One ISC, the Community Services and Health Industry Skills Council (CS&HISC), outlined its role as follows:

We do not provide the training; we set the qualification and then registered training organisations deliver the qualifications. So, in a national system, we talk to industry of whoever shape or form; we develop the job standards, which are packaged in units of competence and then packaged into a qualification. ... We produce those and then, if you wish to grant that qualification, a registered training organisation ... deliver[s] these national qualifications...²⁶

3.30 The CS&HISC noted the standing of the qualifications that it has developed:

The workforce that we are involved with have qualifications of certificate I, II, III, IV, diploma and advanced diploma. They are professions that are not regulated by the Australian Health Practitioner Regulation Agency, which looks after doctors, dentists and others. So our qualifications are used as a pseudo-regulatory tool. For example, if you wish to work in an aged care facility the employer's expectation would be that you would have a certificate III in aged care, which is the qualification that the Community Services and Health ISC developed.²⁷

3.31 AgriFood Skills Australia identified the importance of skills being tailored to industry needs:

To contribute to Australia's continued global competitiveness, and to build a world class, highly productive workforce, the agrifood industry needs a flexible, dynamic and responsive training system that guarantees the current and future skills requirements of our people. This requires a strong connection between VET providers, researchers, and industry, with the overriding objective being to

25 Industry Skills Councils generally. Their make-up and policy basis are dealt with in Chapter 2.

26 Mr Rod Cooke, Chief Executive Officer, Community Services and Health Industry Skills Council (CS&HISC), *Committee Hansard*, Sydney, 8 April 2014, p. 15.

27 Mr Rod Cooke, Chief Executive Officer, CS&HISC, *Committee Hansard*, Sydney, 8 April 2014, p. 15.

produce competent people with the capability to do the industry job they are trained for.²⁸

- 3.32 Citing the example of a particular qualification in the aged/ community services training sector, Dr John Mitchell, a research and evaluation consultant in workforce development and strategic and change management, noted that it is the responsibility of the ICSs (and the then National Skills Standards Council (NSSC)) to provide clear guidance on standards in Training Packages:

Why is it vague about whether it is 1 200 hours or 200 hours for a certificate III? It should be clear. That is not the regulator's fault. It is the job of the national standards committee and the industry skills councils to get those training packages right, because there are loopholes.²⁹

- 3.33 Dr Mitchell commented that the NSSC:

... is probably the pivotal group in one sense. It has been too slow. It has not followed through quickly enough. If that committee is not on task, moving promptly, being thorough, then we have concerns.³⁰

National Training Packages

- 3.34 National Training Packages provide the standards against which Registered Training Organisations (RTOs) are expected to deliver training and against which the Australian Skills Quality Authority (ASQA) must regulate.

- 3.35 In its evidence Manufacturing Skills Australia (MSA) noted that the 'TAFE system is the major user of national Training Packages:'

In 2011, 863,969 people were undertaking training from a national Training Package through the TAFE system. This accounted for 62% of all Training Package activity in 2011.³¹

Views on national Training Packages

- 3.36 A range of views were advanced concerning national Training Packages.

- 3.37 While TAFEs are a major user of Training Packages, Associate Professor Marcus Bowles of the University of Tasmania noted that the Training Package system, while essential, relates to a substantial minority of TAFE

28 AgriFood Skills Australia, *Mind the Gap: Why agrifood's future in the Asian Century is far from assured*, 2013, Environmental Scan quoted in AgriFood Skills Australia, *Submission 63*, p. 1.

29 Dr John Mitchell, Managing Director, John Mitchell & Associates (JMA), *Committee Hansard*, Sydney, 8 April 2014, p. 12. Dr Mitchell referred to findings made by the Australian Skills Quality Authority in its aged-care report, *Training for aged and community care in Australia*.

30 Dr John Mitchell, Managing Director, JMA, *Committee Hansard*, Sydney, 8 April 2014, p. 12.

31 Manufacturing Skills Australia (MSA), *Submission 9*, p. 5.

attendees – those who are engaged in continuous learning – rather than the majority of those who attend TAFEs:

... if you tie funding and reward to competencies in training packages based on qualifications that Industry Skills Councils think are relevant you should realise that 60 per cent of people that are graduating from TAFE are not continuous learners. They are in work or returning to look for skills that will give them work. We are basing a system on 40 per cent of the demand. It is absolutely essential, but we have two systems: one for continuing learning, where people are progressing up AQF levels, and one for those who are looking for skills that are relevant for new work or to improve the work that they already have, in terms of performance and productivity. It is not the same thing.³²

- 3.38 AgriFood Skills Australia noted the strong link between VET qualifications and training packages, and also the important of individual educational institutions in the development of VET courses:

VET qualifications are designed and maintained by industry through the rigorous development and continuous improvement process for nationally endorsed Training Packages. Development of courses within the VET sector, and the extent to which industry consultation occurs within that process, is typically reliant on the individual faculty and varies considerably within and between institutions.³³

- 3.39 Mrs Anne Blythman, General Manager, VET, TasTAFE, affirmed the standing of national Training Packages, but also identified a need for more diversified training products that could equip people for work in more than one industry sector:

Training packages are very highly regarded. However ... I think there is a growing need for a different type of product that prepares people better for opportunities in a range of industry sectors, because the employment opportunities might not be there for them in a particular industry sector. Also, I think there are opportunities to streamline the management of changes to the system and training packages and the impact on multiple players in that space as that happens.³⁴

- 3.40 Ms Jan Davis, Chief Executive Officer, Tasmanian Farmers and Graziers Association, suggested that Training Packages are not always most the
-

32 Associate Professor Marcus Bowles, Adjunct, Deputy Director VET and Industry Research, AMC, University of Tasmania, *Committee Hansard*, Launceston, 30 April 2014, p. 21.

33 AgriFood Skills Australia, *Submission 63*, p. 6.

34 Mrs Anne Blythman, General Manager, VET, TasTAFE, *Committee Hansard*, Launceston, 30 April 2014, p.13.

most responsive model for industry needs, which can be more specific and immediate:

The education system at all levels over the last 15 to 20 years has become, from an industry point of view, totally and irrationally focused on training packages. There are all of the national standards and you have to do this and that. You have to have a cert II ... Most industries – and certainly the ones I have been involved in – do not develop their training needs in that linear pathway. Particularly in an industry like ours we have just-in-time training needs. They are very specific. They are often an upskilling of a current workforce when there is a change of government requirement, which unfortunately happens on a far too regular basis. So we are told we have to go in and get everybody skilled on the new rules around, for example, ATVs and quad bikes. So we will have an immediate need to have everybody upskilled on that. That does not fit into a training package need.³⁵

- 3.41 The Committee also heard elsewhere that '[i]n terms of mobility of workforce and of apprentices' national Training Packages are 'a great concept',³⁶ but that endorsement of Training Packages usually refers to endorsement by large industry rather than a broader cross-section of industry. This can have ramifications for small- to medium-sized businesses:

People will say, 'This curriculum was designed by industry.' Well, what is industry? When you talk to ... people who have small- to medium-sized businesses, they have no input; yet, they have to put up with a national training package that very often does not suit them.³⁷

- 3.42 Ms Joann Pyne, Director, Barrier Reef, Mount Isa and Tropical North Institute of TAFE, cautioned against the too-frequent updating of Training Packages:

I think we have created an industry out of training packages. The notion is exactly right. The skills should be consistent over the whole nation, but we should not be creating such an industry out there rewriting them every six months.³⁸

35 Ms Jan Davis, Chief Executive Officer, Tasmanian Farmers and Graziers Association, *Committee Hansard*, Launceston, 30 April 2014, p.4.

36 Mr George Peever, Chief Executive Officer, TORGAS Inc, *Committee Hansard*, Townsville, 7 May 2014, p. 12.

37 Mr George Peever, Chief Executive Officer, TORGAS Inc, *Committee Hansard*, Townsville, 7 May 2014, p. 12.

38 Ms Joann Pyne, Director, Barrier Reef, Mount Isa and Tropical North Institute of TAFE, *Committee Hansard*, Townsville, 7 May 2014, p. 12.

3.43 In its April 2014 report *Shared responsibilities, shared solutions: Analysis of the Training Package Continuous Improvement Process for the Industry Skills Councils Forum*, the Industry Skills Council Forum found that:

... statements that Training Packages are changing too often are misleading as although some Training Packages have changed many times in the last few years these are in a very small minority. Just seven (7) of the 58 Training Packages that fell within the scope of the analysis had six (6) or more changes made over the three year analysis period. This equates to two (2) changes per year, about double the average for all Training Packages ... The remainder of Training Packages have experienced only moderate rates of change, and some have not changed at all. Over 62% of Training Packages (36 of the 58 in the scope of this analysis) changed on average **once per year or less** over the three year analysis period.³⁹

3.44 However, the recent review of ASQA found that:

Many training packages are updated regularly. Out of 63 training packages reviewed by ASQA, one package was updated 15 times and two others 13 times in the three years to 30 June 2013. A total of 24 training packages were updated 5 or more times over that period. Some changes require Providers to make an application for a change of scope which ASQA then processes and charges an associated fee. Other changes require Providers to update training delivery, assessment strategies or course material. These changes must be better coordinated as the impact of this on the VET sector and the regulator is significant process inefficiencies and additional cost.⁴⁰

3.45 Accordingly, the ASQA review found, as one of its main themes, that '[a] lack of coordination in training package updates issued by ISCs creates unnecessary work for Providers and impacts ASQA's operations'.⁴¹ In July 2014 it was announced that ASQA will:

... automatically update a training provider's domestic scope to include any new, equivalent version of a training product

39 Industry Skills Councils, *Shared responsibilities, shared solutions: Analysis of the Training Package Continuous Improvement Process for the Industry Skills Councils Forum*, p. 17-18 (emphasis in original),

<<http://www.isc.org.au/pdf/Training%20Package%20Continuous%20Improvement%20-%20FINAL%20REPORT.pdf>> viewed 24 October 2014.

40 PricewaterhouseCoopers (PwC), *ASQA process review: final report*, PwC, 2013, p. v, <<http://www.industry.gov.au/skills/RegulationReformsAndInitiatives/RegulationVET/Documents/ASQAProcessReview-FinalReport.pdf>> viewed 24 October 2014.

41 PwC, *ASQA process review: final report*, PwC, 2013, p. v, <<http://www.industry.gov.au/skills/RegulationReformsAndInitiatives/RegulationVET/Documents/ASQAProcessReview-FinalReport.pdf>> viewed 24 October 2014.

(qualifications and units of competency) they are already registered to deliver. This will remove the requirement for a training provider to apply for a change of scope, and pay the required fee, to continue to deliver a training product that has been updated and endorsed as equivalent to the superseded product.⁴²

- 3.46 As noted in Chapter 2, on 11 September 2014 the Minister for Industry, the Hon Ian Macfarlane MP, announced that he would be undertaking a full review of training products in the VET system. The review is expected to examine whether training packages and accredited courses, as they are currently designed, are still fit for purpose.⁴³

The Australian Skills Quality Authority

- 3.47 The functions of ASQA are set out in Chapter 2. Dr Dianne Orr, Acting ASQA Chief Commissioner, noted that ASQA's role is to ensure RTO compliance with approved quality standards, and has a limited role beyond this:

ASQA is not the standard-setting body. ASQA does not set the nationally approved quality standards against which it regulates. The standards were developed by the former National Skills Standards Council and endorsed by the ministerial council. ASQA is tasked with ensuring that registered training organisations comply with these standards. ASQA does not provide or administer any funding or grants of any kind. Funding the provision of training is generally the domain of the Commonwealth and the state and territory departments that carry the portfolio responsibility for skills. As a regulator, ASQA has no role to play here. These agencies do conduct their own contract compliance audits to ensure that providers meet contractual obligations for their funding and, in a sense, this creates another layer of regulation.⁴⁴

- 3.48 It was also noted that ASQA undertakes 'a passive form of regulation':

42 National Skills Standards Council (NSSC), 'Interim arrangements for VET standards and policies: Training Package reform - automatic updating of a training provider's scope', <http://www.nssc.natese.gov.au/training_packages> viewed 24 October 2014.

43 Australian Government, Department of Industry, 'VET Reform', 'Progress to date' <<http://www.vetreform.industry.gov.au/progress-date#new>> viewed 26 September 2014.

44 Dr Dianne Orr, Acting Chief Commissioner, Australian Skills Quality Authority (ASQA), *Committee Hansard*, Canberra, 6 June 2014, p. 17-18.

The regulator sits there and waits for market participants to come knocking on the door and asking for an entitlement. In the first place, they ask to join the market – an entry to market permission. Then the provider seeks permission for what they plan to offer to the market – what qualifications or courses.⁴⁵

- 3.49 ASQA indicated that it has continued the practice of granting delegations to TAFE Institutes in relation to managing their registrations:

When we started, a number or nearly all of the previous regulators had granted delegations to the TAFE institutes to manage aspects of their registration outside of the regulator or under delegation from the regulator. That is something that we picked up and continued. In fact, that applies to nearly all of the TAFEs.⁴⁶

- 3.50 ASQA also indicated that its funding derives from fees, and that the organisation is moving towards a full cost recovery model.⁴⁷

- 3.51 Some concerns were expressed regarding ASQA's regulatory capability. The NSW Branch of the Australian Education Union voiced its concern over the capability of ASQA to adequately regulate compliance by private RTOs:

There is great concern amongst TAFE teachers that private RTOs are able to offer watered-down courses for Certificates and Diplomas in one or two semesters, with no quality outcomes or scrutiny over these companies. We know there are not sufficient numbers of auditors to ensure quality delivery by these often fly-by-night companies whose bottom line is profit driven. We do not believe the Australian Skills Quality Authority (ASQA) has the ability to appropriately regulate the plethora of for-profit Registered Training Organisations (RTOs), and it appears ASQA concentrates its efforts on regulating the largest RTOs: TAFE Institutes.⁴⁸

- 3.52 Mr Anthony Kittel, Managing Director, REDARC Electronics Pty Ltd, stated that:

The quality level across the private sector varies dramatically and I do not believe that they are assessed well enough, vetted well

45 The Hon Michael Lavarch, Commissioner, Risk Analysis and Investigation, ASQA, *Committee Hansard*, Canberra, 6 June 2014, p. 17-18.

46 Dr Dianne Orr, Acting Chief Commissioner, ASQA, *Committee Hansard*, Canberra, 6 June 2014, p. 26.

47 Dr Dianne Orr, Acting Chief Commissioner, ASQA, *Committee Hansard*, Canberra, 6 June 2014, p. 17.

48 Australian Education Union (AEU) (NSW Branch), *Submission 8*, p. 9.

enough, before they come to companies like ours and ask to get our business.⁴⁹

- 3.53 Dr John Mitchell praised ASQA's recent work on identifying problems in the aged care/community services training sector (considered further below), but also took the view that ASQA requires further support:

ASQA needs more support. The last thing you would want to do is to have light-touch, diluted regulation. We have got so many problems – endemic problems, systemic problems – in the VET sector, the last thing you would do at the moment is reduce the regulation. We need ASQA to try and force through.⁵⁰

- 3.54 ASQA is a relatively newly-established regulator whose regulatory capability and resourcing level seem appropriate. Where possible, such as through the use of delegations, ASQA uses a light touch regulatory regime.

- 3.55 The main issue facing ASQA is the wide latitude of training methodologies allowed in national Training Packages which can produce sub-optimal skills levels. This, however, is not a failing of ASQA, which can only regulate to the national Training Packages, but of the Packages themselves.

- 3.56 The recent review of ASQA found, as one of its main themes, that there is '[a] lack of guidance about the rules for [RTO] Standards and training packages:'

No single entity amongst ASQA, the Industry Skills Councils (ISCs), and the NSSC has clear responsibility for issuing guidance about the interpretation of the Standards and training packages to Providers. There is some suggestion that ASQA is responsible, but they are not funded for this task. It must be made clear who is responsible for issuing guidance, and consideration should be given to establishing a formal process to ensure that information about common causes of non-compliance is fed into development of guidance for communication with Providers.⁵¹

- 3.57 Suitable action to correct this gap is necessary as part of the Australian Government's work in response to the review.

49 Mr Anthony Kittel, Managing Director, REDARC Electronics Pty Ltd, *Committee Hansard*, Adelaide, 12 June 2014, p. 22.

50 Dr John Mitchell, Managing Director, JMA, *Committee Hansard*, Sydney, 8 April 2014, p. 12.

51 PwC, *ASQA process review: final report*, PwC, 2013, pp. iv-vi, <<http://www.industry.gov.au/skills/RegulationReformsAndInitiatives/RegulationVET/Documents/ASQAProcessReview-FinalReport.pdf>> viewed 24 October 2014.

ASQA report on training standards in the aged care/community services training sector

3.58 The findings of ASQA's 2013 report on training in the aged care/community services training sector, *Training for aged and community care in Australia*, are instructive of the types of compliance/regulatory issues that can emerge in relation to RTOs. The future skilled labour needs of the sector are considerable, as the CS&HISC has noted:

The vocational education and training workers – which is our particular interest – is where the numbers are actually quite frightening. For example, over the next 20 years we need an extra 800,000 aged care workers to provide care in Australia. There are only 400,000 people on the unemployment queue so we are not sure where the workers are going to come from.⁵²

3.59 In its report ASQA found that:

- Up to 70% of RTOs offered the Certificate III in Aged Care in less than 1 200 hours, even though the Australian Qualification Framework guidelines imply a benchmark of 1 200 hours or more for Certificate III programs;
- A number of RTOs offered the Certificate III in less than 200 hours; and
- Seventy per cent of RTOs offered the Certificate III in Aged Care over a period of less than one year, even though the Australian Qualifications Framework guidelines benchmark one to two years as being appropriate for a Certificate III. Over one-third of RTOs offered the Certificate III in Aged Care in less than 15 weeks.⁵³

3.60 Importantly, ASQA further stated that 'this is not just a problem with training in the aged and community care sector. It has much wider application across the whole VET sector'.⁵⁴

3.61 ASQA's report presented the following key messages in relation to training in the aged care/community services sector:

- The Certificate III in Aged Care remains the most common qualification for new entrants to the aged and community care industry
- Most registered training organisations have difficulty complying with assessment requirements

52 Mr Rod Cooke, Chief Executive Officer, CS&HISC, *Committee Hansard*, Sydney, 8 April 2014, p. 15.

53 ASQA, *Training for aged and community care in Australia*, p. 41, <http://www.asqa.gov.au/verve/_resources/Strategic_Reviews_2013_Aged_Care_Report.pdf>, p. xi, viewed 24 October 2014.

54 ASQA, *Training for aged and community care in Australia*, p. 41, <http://www.asqa.gov.au/verve/_resources/Strategic_Reviews_2013_Aged_Care_Report.pdf>, p. xi, viewed 24 October 2014.

- Following time to rectify areas where they were not compliant, most registered training organisations became compliant with the national standards
- Training programs are largely too short and with insufficient time in a workplace for sufficient skills development
- Changes to the national standards for training organisations are required.⁵⁵

3.62 Dr John Mitchell characterised ASQA's report as 'profoundly important':

It absolutely itemises the systemic problems in the sector and it cheekily, boldly, points back to the decision makers. For instance, it argues, it shows, the problem is not the shonky providers; the problem is the loopholes. There are loopholes. If you have got loopholes, people will take advantage. People in business are opportunistic. Many people, if they see a loophole, instead of offering it in 1200 hours, they will offer it in 200 hours. If they see a loophole, they will take it. We need the regulator but we need more than a regulator; we need the national standards committee to tighten up.⁵⁶

Responding to skill needs

3.63 Past research on the supply of skills in relation to the principles of a demand-driven skills system has indicated that:

Typically, it is expected that such a system should have a robust capacity to express industry skill needs and standards, have providers that respond quickly to industry skill demands, be able to deliver skills that match new technologies and practices in industry, and deliver skills to the current and future workforce in a flexible manner and at a consistent level of quality.⁵⁷

3.64 The International Labour Office (ILO) of the G20 has noted that:

One of the main challenges of public policy is to foster institutional arrangements through which government departments, employers, workers and training institutions can respond

55 ASQA, *Training for aged and community care in Australia*, p. iii, <http://www.asqa.gov.au/verve/resources/Strategic_Reviews_2013_Aged_Care_Report.pdf> viewed 24 October 2014.

56 Dr John Mitchell, Managing Director, JMA, *Committee Hansard*, Sydney, 8 April 2014, p. 12.

57 J Keating, *Matching supply of and demand for skills: International perspectives*, Centre for Post-compulsory Education and Lifelong Learning, Final report [1 May, 2007] NCVER, p. 17, <http://www.flinders.edu.au/sabs/nils-files/reports/NCVER_DMS_43287-v7-Program_5_2.pdf> viewed 24 October 2014.

effectively to changing skill and training needs, and indeed play a strategic and forward-looking role in anticipating future needs.⁵⁸

- 3.65 The ILO of the G20 has also recognised the importance of siting skills policies within the broader policy context:

Skills by themselves do not automatically lead to more and better jobs. Skills policies must be part of a broad set of policies that are conducive to high rates of growth and investment, including investment in basic education, health care and physical infrastructure, strong growth in good-quality employment, and respect for workers' rights.⁵⁹

- 3.66 In its submission the Public Service Association/Community and Public Sector Union noted the complexity of assessing skill shortages and, consequently, the difficulty of assessing the adequacy of the focus of the VET sector:

... measuring where skill shortages exist is complex, because it needs to take into account that there may be shortages in particular geographic regions, or in sub-sets of skills within occupations. So it's difficult to say how well targeted the VET sector is, when uncertainty exists about what the targets should be.⁶⁰

- 3.67 The Australian Workforce and Productivity Agency (AWPA) has also noted the inherent difficulty in forecasting future training needs.⁶¹

- 3.68 The importance of VET and TAFE in meeting the demand for skills, however, is clear. In its submission AWPA noted:

... the key role of both the VET and higher education sectors in meeting the nation's demand for the additional skills that will be required to address economic and demographic change and to improve workforce participation and productivity.⁶²

- 3.69 AWPA further noted that:

... demand for skills will be strong in the years to 2025, with the total demand for qualifications held expected to increase by between 3 and 3.9 per cent on average each year. TAFE, as a major

58 G20, International Labour Office (ILO), *A Skilled Workforce for Strong, Sustainable and Balanced Growth*, p. 19, <<http://www.oecd.org/g20/topics/employment-and-social-policy/G20-Skills-Strategy.pdf>> viewed 24 October 2014.

59 G20, ILO, *A Skilled Workforce for Strong, Sustainable and Balanced Growth*, p. 6, <<http://www.oecd.org/g20/topics/employment-and-social-policy/G20-Skills-Strategy.pdf>> viewed 24 October 2014.

60 Public Service Association/Community Public Sector Union, *Submission 67*, p. 8.

61 Mr Robin Shreeve, Chief Executive Officer, Australian Workforce and Productivity Agency (AWPA), *Committee Hansard*, Sydney, 8 April 2014, p. 25.

62 AWPA, *Submission 55*, p. 1.

player in the VET sector, will have significant role in supplying the required qualifications.

TAFE's has an important role in the skilled trades where shortages can limit production and deter investment. TAFE's role has been especially important where off-the-job training requires ongoing commitment to specialist facilities and to staff with extensive industry experience.⁶³

Thin markets

3.70 Some important skillsets have thin training markets where 'the actual or potential number of learners is too small, relative to the cost of delivery, to sustain efficient provision.'⁶⁴

3.71 The Australian Education Union, using WA as an example, pointed to the difficulty in providing training in thin markets and the importance of doing so:

One metropolitan college in WA takes on responsibility for a large range of these small industries or thin markets and despite some loadings in terms of funding assistance many of these programs still struggle to break even. None the less it is vital the government continue to support these small but none the less very important trades and industries.⁶⁵

3.72 One example of a thin market is training for jewellery makers. The Gold and Silversmiths Guild of Australia, Jewellery Association of Australia and Gemmological Association of Australia pointed to the effect that funding cuts to TAFE can have on this market:

Cutbacks in TAFE and University funding, combined with lower numbers of jewellery workshops taking on apprentices, means that the two usual pathways to training as a jeweller or metal artisan are on the verge of disappearing.

With the pressure of imported jewellery being cheaper than local products, due to the strong Australian dollar, reduced discretionary income and the increase in internet sales our Jewellery industry is imploding.⁶⁶

3.73 The Jewellery Training Council and Jewellers Association of Australia noted the effect that a lack of appropriately trained jewellers would have on the industry and consumers:

63 AWPA, *Submission 55*, p. 1.

64 TDA, *Submission 70*, p. 24.

65 AEU, *Submission 73*, p. 144.

66 Gold and Silversmiths Guild of Australia, Jewellery Association of Australia and Gemmological Association of Australia, *Submission 25*, p. 1.

The consumer will be at risk of shoddy workmanship and potentially exorbitant prices. There will be unqualified jewellers taking advantage of the consumer. There will be no accountability as they are outside of the certified trade industry.⁶⁷

Industry and TAFE linkages

3.74 To meet the skill needs of industry there need to be close linkages between individual TAFE institutes and the industries in their areas who will be the recipients of newly-trained employees.⁶⁸ Creating appropriate linkages assists TAFE institutes to provide courses that are relevant, flexible and current. Some specific examples of industry-TAFE partnerships relating to TAFE's role as a provider of pathways to employment are considered in Chapter 4.

3.75 Industry stakeholders provided perspectives on a number of aspects of TAFE education. The Queensland Chamber of Commerce and Industry raised employer concerns over TAFE courses and perceived disincentives to place employees at TAFEs:

... we have received reports from employers advising that the quality of TAFE courses are poor or inconsistent; that insufficient communication with employers prevents them from tailoring on-the-job work to their course work at TAFE; and that complex administrative requirements, including excessive and unnecessary paperwork, are burdensome and serve as a disincentive to placing employees in TAFE courses.⁶⁹

3.76 Both MSA and the Minerals Council of Australia emphasised the importance of training models focused on outcomes rather than inputs:

[T]he major criticism in relation to the role TAFE plays in the development of skills in the Australian economy is directed at policy which is largely focussed on inputs (i.e. nominal hours of training activity) rather than outcomes (completions).⁷⁰

The industry, however, does not want a return to the days of predominantly provider-centric training, including time-based approaches. While regulatory, inputs-based approaches have their place, the industry favours a model that encompasses industry-driven, outcomes-based assessments of training.⁷¹

67 Jewellery Training Council and Jewellers Association of Australia, *Submission 187*, p. 1.

68 The issue of student proximity to TAFE is addressed in Chapter 4.

69 Chamber of Commerce and Industry Queensland, *Submission 33*, p. 7.

70 MSA, *Submission 9*, p. 5.

71 Minerals Council of Australia, *Submission 11*, p. 2.

3.77 Mr Tony Kennedy, CEO of IndustryLink, was critical of the disconnect that can exist between the academic level of TAFE instruction and the practical skill levels required by employers:

... the TAFE system has become so internally focused on self-preservation that these instincts now outweigh all its other honourable objectives. Increasing contact hours to preserve their workforce has, for instance, inspired them to teach certificate III commercial cookery to prevocational students in a one-year program. When these students complete and apply for advertised positions, the vast majority of employers do not want them. They are academically ahead of their practical ability – hence, the employer is not prepared to pay them at the level they are qualified to and they no longer have the opportunity to be an apprentice. The apprenticeship phase, along with its incentives, has passed them by. TAFE does the same thing with a cert III in patisserie, in the form of a six-month course. Testimonies and petitions from leading industry stakeholders have failed, to date, to convince TAFE that they are not in tune with industry need.⁷²

3.78 On the other hand, from the TAFE perspective it is to be expected that there will be gaps between the skills acquired through TAFE and the requirements of the individual workplace or working environment. Mrs Anne Blythman, General Manager, VET, TasTAFE noted that:

There was always an expectation that when people came out of a TAFE qualification they would have skills that would need to be contextualised to the particular workplace or the particular context within which they were working. I think it is almost an unrealistic expectation that you would have somebody coming out that could perhaps adapt to any environment that they would find themselves in.⁷³

Outputs not inputs

3.79 There are, essentially, two ways of measuring education and training. First, via inputs – contact hours; and second, through outputs – the actual skills, abilities and employability of the student being educated or trained. It is important to note the distinction between outputs and outcomes. The term *output* refers to student skills and abilities resulting from education and training, whereas the overall *outcome* is the end result for students – for example employment or better community engagement.

72 Mr Tony Kennedy, Chief Executive Officer, IndustryLink, *Committee Hansard*, Launceston, 30 April 2014, p. 45.

73 Mrs Anne Blythman, General Manager, VET, TasTAFE, *Committee Hansard*, Launceston, 30 April 2014, p. 16.

- 3.80 The Hon Michael Lavarch, ASQA Commissioner, Risk Analysis and Investigation, acknowledged that the current model is inputs-focused. Mr Lavarch expressed in principle support for a more outputs-focused model while also noting that such a shift would not be straightforward:

We have a cake mix model, not a cake taste model – that is, you have got standards and you have got training package requirements, and they do focus examination. The theory is that if you are meeting these requirements and have this staff and these background skills and these facilities and you are meeting the assessment regime, which is specified in the national standards, ipso facto you will come out with a decent-tasting cake. But we are not so much into that cake tasting. What you are suggesting, I think, is that the balance should shift from focusing on inputs to eating the cake. I read some of the evidence from one of your witnesses saying that if someone has a competency saying they can install a widget, well test whether they can install the widget. I understand that and I support it in a philosophical sense.

Moving to that sort of program, let us not underestimate the difficulties involved in it.⁷⁴

- 3.81 While it is important to acknowledge the significance of the hours spent in training a student in a particular skill, the proof that a skill has been appropriately taught and appropriately learned, is the ability of a trainee to complete the tasks required of them by the industry they enter new employment with. That is, inputs are only important in relation to the output – the skilled employee – that they produce. As the Victorian Automobile Chamber of Commerce stated:

There is a profound difference between delivering a qualification and developing the skills necessary to perform on the job to industry standards.⁷⁵

- 3.82 Clearly, industry has a strong interest in the outputs provided by the TAFE system. The first step in providing good outputs must be analysis and planning in relation to the roles and skills that will be required in the labour market. As noted by Curtain Consulting, this is especially important in relation to aligning the interests of those looking to train with industry skill requirements:

Young people have little incentive to invest in a long period of career preparation if they do not know the tangible benefits.⁷⁶

74 The Hon Michael Lavarch, Commissioner, Risk Analysis and Investigation, ASQA, *Committee Hansard*, Canberra, 6 June 2014, p. 22.

75 Victorian Automobile Chamber of Commerce, *Submission 185*, p. 3.

76 Curtain Consulting, *Submission 75*, p. 2.

3.83 A key to providing good outputs is flexibility.⁷⁷ The Australian Chamber of Commerce and Industry noted that:

... as the role and offerings of TAFE has expanded, the VET market and client cohort has evolved significantly, employers and learners now require greater flexibility in when and where they can access training. Many employers and employees now seek to access training either in the workplace or outside of standard work hours. Individuals and employers now often seek highly specific skills or the ability to operate specific equipment relevant to the modern workplace. For many individuals and employers, institutional based offerings, with set hours of delivery offering more generic skills options do not suit their needs or their availability and training providers who offer flexible learning programs, either on-line, in the workplace, or at times the suit the learners, have moved to capture this market.⁷⁸

3.84 Mr Tony Kennedy provided evidence on the flexibility that private providers can bring to the table:

... public providers cannot be as flexible to market needs as private providers, and I believe the main reason the TAFE system cannot be as flexible is that it has different parameters in which to work. It must follow the contours of primary and secondary school hours, holidays and other nuances. It then needs to marry up these restrictions with apprentices in the workplace, despite the two systems having nothing in common at all. Similarly the defining constraints and limitations of most of their courses are the term dates around school holidays; likewise, job placements within these qualifications must align with these holidays.⁷⁹

3.85 One participant in the inquiry, Mr Paul Roberts-Thomson, suggested that value in training can only come through an emphasis on 'skills competency and underpinning knowledge'.⁸⁰ Mr Roberts-Thomson stated that 'the VET sector must seriously engage with output auditing (i.e. assessing whether the trainee assessed as competent should have received that result)'.⁸¹

... this should be done via random auditing of RTO graduates and be of sufficient frequency that RTOs have a genuine expectation that their graduates may well be audited. Given the powerlessness

77 Flexibility is dealt with in additional detail in Chapter 5.

78 Australian Chamber of Commerce and Industry, *Submission 46*, p. 2.

79 Mr Tony Kennedy, Chief Executive Officer, IndustryLink, *Committee Hansard*, Launceston, 30 April 2014, p. 45. See also Mr Anthony Kittel, Managing Director, REDARC Electronics Pty Ltd, *Committee Hansard*, Adelaide, 12 June 2014, p. 22.

80 Mr Paul Roberts-Thomson, *Submission 177*, p. 6.

81 Mr Paul Roberts-Thomson, *Submission 177*, p. 10.

of the trainee in this system, it is not proposed that the trainee should suffer any penalty if found not competent, certainly not in the initial years. However, negative findings against a RTO should be recorded and cumulative negative outcomes should eventually lead to RTO status being denied.

Concurrent with this change to output auditing must, of course, be a major reduction in input auditing/compliance so the RTOs have the opportunity to concentrate on creating value via training.⁸²

Committee comment

- 3.86 While the COAG framework broadly recognises the important role of public VET providers, the crucial position and role of TAFE within VET is not explicitly recognised. For the Committee this is integral to the issues raised in the inquiry and is a deficiency that should be rectified. As stated above, it became evident to the Committee over the course of the inquiry that a foundational articulation of the role and function of TAFE is necessary.
- 3.87 The Commonwealth and the states and territories should arrive at a shared understanding of, and publicly state, the role of TAFE as a public VET provider together with its future direction in the training market. This statement should recognise the importance and value of TAFE within the VET sector.
- 3.88 In making this recommendation, the Committee also takes the view that such a statement should recognise that the affordability and accessibility of the training market is underpinned by a strong public sector provider, and should acknowledge functions that TAFE, as a public provider, can uniquely bring to the VET sector.

Recommendation 1

The Australian Government should, through the Council of Australian Governments, make a value statement comprehensively defining the role of TAFE within the VET sector together with its future direction in the competitive training market, from a national perspective.

This statement should recognise that the affordability and accessibility of the training market is underpinned by a strong public sector provider and acknowledges the following functions that TAFE, as a major and significant not-for-profit public provider, can uniquely bring to the VET sector:

- **setting a benchmark for price that ensures the market doesn't simply drive prices up to meet either public or private funding maximum levels;**
- **delivering community support obligations and ensuring the provision of support across all population centres and groups;**
- **ensuring that thin markets are covered to maximise the provision of skills needed by both the economy and society;**
- **delivering support for regions and industries in transition, including working with community leaders to identify changing skills profiles needed for the future and analyse training needs for displaced workers and jobseekers;**
- **identifying and investing in skills development for new, innovative and emerging industry sectors such as advanced manufacturing, green skills, and ICT;**
- **providing pre-employment courses, particularly language, literacy and numeracy and digital skills as well as job readiness courses;**
- **providing mature age learners and early school leavers for whom TAFE is the most appropriate pathway with access to pathway qualifications in order to undertake further study;**
- **providing other specialised training pathways such as pre-apprenticeship courses; and**
- **providing a sound, government-backed institution that can attract strong support in the education markets of the Asian region.**

3.89 A number of the specific functions of TAFE identified in Recommendation 1 are considered in greater detail at various points throughout this report. For example, TAFE's wider community service role is discussed in Chapters 4 and 5; thin markets are considered above; support for regions and industries in transition is dealt with in Chapter 4; skills development is considered with in this chapter; and language, literacy and numeracy issues are discussed with in Chapter 4.

- 3.90 It is clear that a significant focus in TAFE, and, indeed, the VET Sector as a whole, needs to be on outputs – the actual ability of potential employees to be able to perform the tasks for which they are being trained – rather than the audited inputs for a particular training course. Industry frustrations with a focus on inputs and mismatches between training and employer skills requirements are clear.
- 3.91 At the same time, it is important to not take a focus on outputs too far. While it may be the case that on occasion higher inputs do not lead to good training outputs, hours in a classroom can, and indeed should, lead to better outputs. Better outputs – that is, better trained students – should then lead to better outcomes such as better employment opportunities. A balance between inputs and outputs is key. The Australian Qualifications Framework, as broad statements of what knowledge, competencies and skills are required for individual qualifications, is not the place to seek this balance.
- 3.92 The Australian Government should address ongoing concerns about the highly variable quality of training. Two approaches, encompassing the inputs side and the outputs side, are possible here, and may be applied differentially depending on particular circumstances.
- 3.93 On the inputs side, the development of national Training Packages warrants further attention. In an effort to create packages that are not overly prescriptive, it appears that ISCs create training packages that are in fact not prescriptive or precise enough.
- 3.94 There is clearly a wide range of contact hours, and a variety of training methods, that can be used to deliver a training package. Flexibility is important: but there should also be a greater level of prescription and precision whereby the relevant training required is, essentially, the same across all providers. The Commonwealth has a role to play here through its involvement in Standards for Training Packages.⁸³ National Training Packages are transitioning from the Training Package Handbook to the Standards with all Training Packages, to be reviewed and developed to meet the Standards by 31 December 2015.
- 3.95 This should lead to improvements in the practice of those RTOs who seek to provide a qualification in the lowest time allowed by national Training Packages and do not produce potential employees with the skills required by industry.
- 3.96 The Australian Government, through the Standards for national Training Packages, could seek to ensure that a greater level of prescription and precision around competencies is included within national Training

83 NSSC, 'Standards for training packages', <http://www.nssc.natese.gov.au/training_packages/standards_and_policies/standards_for_training_packages> viewed 24 October 2014.

Packages. This would serve to mitigate some of the systemic problems identified by ASQA. With a more prescriptive training regime ASQA would have the regulatory resources to audit and, if necessary, de-register non-compliant RTOs.

- 3.97 On the outputs side, the Committee is mindful of the evidence on the desirability of output assessment. In this space, there would be merit in tasking ASQA, or relevant state authorities, to develop more output-based measures focusing on assessment of skills acquired.

Recommendation 2

That the Australian Government addresses ongoing concerns about the highly variable quality of training. Two approaches are possible and may be applied differentially depending on the particular circumstance:

- **seeking a greater level of prescription and precision around national Training Packages; or, alternatively,**
- **tasking the Australian Skills Quality Authority, or relevant state authorities, to develop more output-based measures that focus on assessment of skills acquired.**

